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Program objective: To introduce industry leaders in Kharkiv, Ukraine to new cost-effective management, technology, and marketing that will enable them to improve the productivity of their enterprises and their industry

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Final Evaluation Report

MTM Productivity Study Tours for Kharkiv, Ukraine

Executive Overview

From January 22 to February 7, 1999, representatives from the Center for Economic Initiatives (CEI) Leland M. Cole and Bruce L. Vaillancourt visited Kharkiv, Ukraine as a part of the MTM Productivity Study Tour program under USAID grant # 121-0005-G-00-7189-00. The purpose of this trip was to follow up with the tour participants to determine how they had applied the information they had learned on the study tours. The first week was spent visiting companies and their factories in order to see the company in operation and to discuss the changes that have been implemented. The second week was spent conducting three seminars and in meetings with various other organizations. One seminar was held for each of the two tour groups and one joint seminar was held for Kharkiv City and Oblast officials.

The CEI evaluation has been an on-going activity. It started with daily discussions with participants while on the tour members at meals and in the evening discussion periods. On this follow-up trip, discussions were held with participants from 100% of the active factories.

The objective of the MTM Productivity Study Tour program was to have a positive impact on the standard of living on the local population. Despite the short time since the end of the program, CEI believes this was accomplished. High level Ukrainian food processing managers from key companies, with an average employment of 276, visited their counterparts in the US. They learned new techniques of marketing, distribution, productivity and product development. Each evening, the tour group met under the direction of the group Leader to discuss the significance of the day's visit(s). These new ideas were brought back to Ukraine and are now being implemented.

CEI members are extremely familiar with the Community Connections Program and the Business for Russia Program since many delegations have visited Cincinnati under programs run by the Cincinnati-Kharkiv Sister City Program and the International Visitors Council. CEI members have hosted delegates in their homes and in their businesses. Many meetings and discussions have been held with the delegates from Ukraine and Russia. The highly focused and professional MTM program is not only more cost effective (i.e, better value) but provides more tangible results than these other programs where young, low level entrepreneurs from small companies (with an average employment of about 10) are exposed to US business practices.

The program participants were selected in Kharkiv by CEI and industry experts. The ability to speak English was not a requirement since that would have eliminated all high level managers. At the selection seminar participants were provided with industry specific technical, accounting and marketing information. The additional information about the companies gained from this seminar helped CEI design the program to meet the specific industry needs of the participants - a clear benefit to Ukraine.

At the end of the program CEI conducted a program evaluation. Again, industry experts visited the companies and this enabled CEI to provide additional follow-up at the request of the participants. This valuable assistance is not provided by lower cost programs.

The MTM program focused on the food processing industry. Many of the companies are located in rural areas where the company is the only source of employment in the area and it is critical to these communities that the plant managers learn how to survive and expand in a market economy. Improved efficiency and expanded markets are the significant outcomes from this program.

It is our collective judgement that:

1. The companies were exposed to many new value-added products they could undertake with a minimum of investment. As a result of the study tour, over 58 new products have been developed and will soon be on the market. Several of these products are significant since they significantly lengthen the plant operating period from 2-3 months to as many as 9 months per year.
2. Plants are making better use of their raw materials. For example, molasses, which would otherwise be discarded, is being used to make brown sugar. Other companies plan a number of new storage and processing techniques which will substantially reduce spoilage and increase the shelf life of fruits and vegetables.
3. At plants where cost savings have been installed long enough to be measured, the savings range from 15 to 30%.
4. Almost every plant is expanding its marketing operation. This is evidenced in a number of different ways. Many companies are adding marketing personnel. Others have become aware of company image and have designed new company logos and packaging. This will enable them to build brand loyalty which will help them compete against local and imported products.
5. Markets for US products have been opened. The most significant are the use of soya based products and an introduction to the use of flavorings.
6. Plant productivity has increased with a resultant increase in profitability. Managers learned how to make more efficient use of their manpower and equipment to ensure the survival prospects of their firms. Productivity gains of up to 30% are reported.
7. New packaging equipment and methods are being introduced at many of the firms. One example is the introduction of a small 1 kg bag of sugar. This will provide greater convenience to the consumer and the customer can be assured of receiving an accurate weight. In another example, new attractive packaging for margarine has been introduced which competes well with imported brands.
8. If the information learned on the study tour is retained only by the participants, the overall community does not stand to benefit. Each participant on the study tour has given talks and presentations to local company and community leaders. This ensures that others not on the study tour itself will also benefit from the program. The significance of this point was not lost on local Rayon officials who were anxious to meet with CEI and express their support of the program.
9. Each study tour included one technical writer who was responsible for preparing the team report. These Russian language reports were completed and published. They are now being distributed by Newbiznet to other companies and oblasts throughout Ukraine. CEI believes this is the only program to disseminate information in this form. The report distribution to large and medium sized companies in the Kharkiv Oblast alone is planned to be: Dairy - 25 companies, Meat - 18 companies, Edible Oils - 10 companies, Sugar - 11 companies, and Fruit & vegetable - 14 companies.
10. The companies on the study tour have been cooperating and working together. They are selling products to each other and lessons learned at one company are used at another.

Suggestions were made by the participants to improve future programs.

1. The number of industrial subsectors on one tour should be reduced. Ideally it should be reduced from three to one. CEI agrees with this suggestion and actually withstood strong pressure from the Kharkiv City government to increase the number of subsectors to four. However, had the number of subsectors been reduced as suggested, several participants would not have gone and the benefits would have been lost to their organizations.
2. With different subsectors on the same tour, plant tours are often not of interest to participants when they are in a plant outside their subsector. This point is acknowledged by CEI. On future programs, the tour group will be divided with one group visiting the manufacturing area and the other visiting the support services such as marketing, purchasing, product design, human resources and accounting.
3. There were too many plant visits and the individual visits could have been longer. In some cases this is true and others it is not. Over a four-week (20 work day) period, the first tour visited 24 companies and the second visited 26 - not an excessive number for an intensive program such as this. CEI believes it can improve the scheduling based on the experience of this pilot program.

Study Tour #1, Fruit, Vegetable and Sugar

Company	Employ	# New Prod.	% Cost Reduce	Energy Saving	New Packag	Product-ivity	Mktg. Change	Comments
1st Sugar Plant Named after Petrovskiy	340	2			1 kg sugar		Yes	Work with Fasma
Barvenkovskiy Food Plant	108	2	15%	Yes		Yes		
Fasma	15	1			Yes		Yes	
Taifun	148	10			Yes	Yes	Yes	Work with Fasma
Kolos Farm	78							On tour only one week
Kongressovskiy Sugar Plant	365	2			1 kg sugar			
Nadiya Agricultural Farm	387	10			Yes	Yes		
Novoivanovski Sugar Plant	450	1			1 kg sugar			
Pervkhinskiy Sugar Plant	220	1			1 kg sugar			
Rosinka	72	2			Yes	Yes	Yes	
Savinskiy Sugar Plant	850	1			1 kg sugar			

Zmievskey Milk Plant	106	2	20-30%	Yes	Yes	Yes	Yes	Work with Fasma
Interfruit	120							Participant left company
Totals	3259	33						

Study Tour #2, Meat, Dairy, Edible Oils

Company	Employ	# New Prod.	% Cost Reduce	Energy Saving	New Packag	Product-ivity	Mktg. Change	Comments
Ist Kharkiv Milk Plant	217	3	Yes	Yes			Yes	
Velikoburluskii Cheese Plant	329	4	30%	Yes	Yes	Yes	Yes	
Borovskoy Milk Plant	54	1					Yes	
Kharkiv Edible Oil Plant	821	10		Yes	Yes		Yes	Work with Fasma
Kharkiv Milk Plant	450				Yes			No changes to date
Komarovka Milk Processing Plant	71	1		Yes	Yes	Yes	Yes	
Krasnogradski Butter & Cheese Plant	112	2						
Kupiansk Milk Plant	600	4			Yes			
Rogan Meat Processing Plant	466			Yes		Yes	Yes	
Solbozhanski Agricultural Farm	1250					Yes		
Ukrainian Edible Oil Institute	133						Yes	
Chuguev Milk Plant	55							Participant left company
Kupiansk Meat Plant	174							Company closed
Kharkiv Meat Processing	800							Company in bankruptcy
Barvenkovskiy Milk Plant	51							Plant temporarily closed
Totals	5583	25						

Changes Implemented by Participating Companies

It is our understanding that the following changes are being implemented.

1st Sugar Plant Named after Petrovskiy; Yuri Simonenko, Marketing Manager reported that the following took place as a result of the study tour.

1. With the assistance of Fasma, another tour participant, the company has designed a new company logo which is intended to show that they have produced high quality sugar since 1834.
2. Currently, sugar is packaged in plain, 50 kg sacks. The company has designed new sacks with their company logo.
3. The company has decided to package sugar in small 1 kg packages. A sample package, with the new logo was presented to CEI. It will be introduced in 1999 when there is sufficient sugar. This size package was available in Soviet times, but has not been available in recent years.
4. The new small package lists the ingredients in the sugar and shows how they compare with the Ukrainian standard.
5. A new company letterhead and business card have been designed.
6. The company intends to market brown sugar, a new product for Ukraine. Brown sugar is reportedly good for people with diabetes and other ailments. The packaging has already been designed. CEI has supplied recipes since none are currently available in Ukraine.
7. The company is working with Kolos Farm, another tour participant, to obtain additional sugar beet.

Barvenkovskiy Food Plant; Viktor Pavlov, Director and Head Accountant and Viktor Uvarenko, Director and Head Engineer reported on the following:

1. Management realized that one person can be assigned multiple jobs. This is helping improve productivity and reduce costs.
2. New energy efficient Ukrainian ovens have been purchased for the bakery and other equipment is on order.
3. The costs of all their operations were analyzed to reduce costs. Unprofitable lines have been discontinued. They expect to have a net 15% profit in 1999.
4. As a result of the study tour, the company is very interested in producing croutons from the stale bread that is returned at the end of the day. They feel this is a logical product in a country that eats a large amount of soup.
5. The company intends to go into the business of making potato chips. A building has been built for this purpose, but it is now idle due to the economic crisis.

Fasma; Oleksiy Gonskiy, Director has been very active since returning to Kharkiv and reported on his activities.

1. He wrote a chapter in the Technical Manual on Packaging based on the information seen.
2. They are planning their own magazine on packaging and wants as much information on food processing as possible.
3. Worked with the Yuri Simonenko at the 1st Sugar Plant Named after Petrovskiy to develop a new logo and packaging for sugar.
4. At Taifun worked with Vasyl Zaytsev on packaging salads in cups and on packaging for pancakes. These consisted of two major cost studies (30 to 40 pages each) justifying the

- technology needed.
5. Worked with Oleksandr Radchenko at Kupiansk Milk to design new packaging for milk and kefir. Sales increased 10-15% due to the new package design. They are also selling new packaging equipment to Kupiansk.
 6. Worked with Tetyana Volovyk at the Kharkiv Edible Oil Plant to help install new French technology for packaging mayonnaise in cups. Fasma designed the packaging and sales increased due to the new design.
 7. Working on a large confidential project with an American-owned farm in Ukraine.
 8. Working on a modernization project with another milk company that participated on a study tour.
 9. Wants to be an agent for Flavor Systems International, one of the US host companies. Initial discussions have started on this project.
 10. Published an article on the study tour in a journal of the Kharkiv Institute of Technologies of Packaging (ITP). Copies were mailed to CEI members.
 11. Intends to publish a small report on the packaging technology he learned in the US.
 12. In September 1998 presented a report of the study tour at Newbiznet to representatives of Associations throughout Ukraine.
 13. Together with Mr. Kisilyov of Zmievskoy Milk Plant, presented papers at the International Seminar "Prodmarket-98" in Kiev. The seminar attendance was 80 people.

Kongressovski Sugar Plant; Sergiy Pogribnyak, Head of the Financial Department reported:

1. They plan to package sugar in 1 kg packages. The smaller package will have the benefit of greater customer convenience and the customer can be assured of receiving an accurate weight.
2. They are planning a candy operation in 1999. This will provide the company with a value-added product which they can sell at a higher price than raw sugar. More importantly, it will enable the plant to remain open for up to 9 months per year, thus providing employment for the community.

Nadiya Agricultural Farm; Anatoliy Shkurko, Head Engineer and his management discussed the benefits to their firm.

1. Nadiya has introduced 10 new products seen in the U.S.
2. They currently produce more than 60 products and plans to expand their production by four times.
3. The company will switch to the Euro jar over the next two years. Currently they package their products in glass jars with pry top lids.
4. Anatoliy Shkurko really liked the technology seen in the US. He was particularly interested in the enamel and stainless steel tanks used to store tomato juice that he saw at Ray Brothers and Noble Canning Company in Hobbs, Indiana where they only processed tomatoes. The tomatoes were half processed before being vacuum packed and sent to another firm for further processing. The half-cooked tomatoes could then be cooked when required (1 ton per ½ hour). The use of this technique could lengthen the work year of the plant from 3 to 9 months.

Novoivanovski Sugar Plant; Kostyantyn Ulko, Financial Manager reported that as a result of the study tour, their firm plans to package sugar in smaller, 1 kg packages. This will have the benefit of a lengthened work year and a higher valued product.

Pervkhinskiy Sugar Plant; Igor Rud, Head Mechanic was filled with new ideas on his return which were well received by his management.

1. Mr. Rud suggested packaging sugar in smaller packages. Management agreed to proceed with the smaller packages since they already had the packaging equipment. This they will do next year. A sample package from earlier days was presented to CEI. The package was simply labeled "Sugar." Although the small package will be more expensive, the company plans to add its own logo and will work with Fasma on this project.
2. The company wants to introduce new value-added products in order to increase profitability and to lengthen the work period.

Rosinka; Rymma Chepyakova, Owner is currently implementing the new ideas at her restaurant and new supermarket.

1. The owner currently has a food operation that prepares and distributes food to 34 retail outlets. Products include pastry, smoked chicken legs, vegetable salads and semi-finished products (filled pancakes, meat rolled in cabbage leaves, etc.). The study tour showed her how to reduce the cost of this operation.
2. Rymma intends to open a new 1,200 square meter (12,000 sq. ft.) supermarket similar to what she saw in the United States. It will be the first superstore in Kharkiv. The size of the store will be more like a 1950-1960's U.S. supermarket. It will carry a full variety of grocery, meat, produce, and bakery items similar to that of an American store. The store is projected to open in March 1999. The equipment has already been purchased and the store will be attractively decorated and landscaped (an innovation in Kharkiv). Rosinka has its own financing for this project.
3. New salads are being offered by her company based on what she learned on the tour. In the US the stores sell salads by weight, not by the ingredients and she plans to use this technique. Further expansion of the product lines include meat stuffed pouches and meat wrapped with a cabbage leaf.
4. The store organization will be based on ideas from the study tour.
5. Rymma is a member of the Kharkiv Organization of Business Women. She has already made presentations to that organization on her observations from the MTM Study Tour. She also met with the Department of Agriculture to show her video and the laboratory analysis used in the Ohio Department of Agriculture.
6. Rosinka plans to use American style marketing in promoting the new store. They will use special discounts for regular customers and advertise on Kharkiv television. Their plan is to establish a brand name associated with quality goods and services. Obviously, the new store will carry a full line of Rosinka products.
7. Rymma has prepared a video of the tour and shown it to the Kharkiv Oblast Agricultural Department and others.

Savinskiy Sugar Plant; Viktor Loza, Process Engineer reported that as a result of the study tour, the company plans to package sugar in smaller packages. No activities have taken place so far due to the poor economic situation at the plant.

Taifun; Vasyl Zaytsev, President and Oleg Sizonenko, Director of this aggressive fast food restaurant chain have implemented many ideas gained from the study tour.

1. On the first of September 1998, Taifun installed facilities to make salads the same as was

observed in the U.S.

2. The company is working with the Kharkiv Institute of Public Catering to work out a line of pastas and salads (with pickles, potatoes, etc.). In order to reduce costs, they will introduce an automated line for making, packaging, dosing and labeling salads. They saw this operation at Club Chef and were very impressed. They will have this facility in operation by September 1999.
3. The greatest benefit from the study tour was in the area of marketing and management techniques.
4. Ten new dishes have been introduced as a result of the trip. These include watermelon and salad decorations.
5. They are now grilling poultry and fish in one of their restaurants.
6. They will use design ideas learned on the study tour in the design of their new cafes.
7. Became acquainted with IESC and had a volunteer help with their planning.
8. Taifun took videos of their trip and purchased a cooking course on video which they have shown to their staff. They are considering similar videos for Ukraine.

Zmievskey Milk Plant; Victor Kisilyov, Chairman of the Advisory Committee was greatly affected by the study tour program.

1. The tour changed the way Mr. Kisilyov works. He found it difficult to use all the information he gained. For example, the financial systems work in the US and do not work in Ukraine.
2. A liquid plastic bottling line is of greatest interest. The company is working with Fasma on this project.
3. The company will install French equipment (\$2 million) for packaging yogurt in plastic cups. This line will start in February and will operate at high productivity.
4. The enterprise has been restructured and some people have been let go. They are now hiring people with higher qualifications.
5. They are bringing down their unit costs by 20-30% with the restructuring and lower utility costs.
6. The tour helped prepared Mr. Kisilyov for making the tough decisions that are necessary without being afraid of the consequences.

1st Kharkiv Milk Plant; Victoriya Marenych, Department Head reported the following took place as a result of the study tour.

1. They are working on improving quality and reducing power consumption
2. They have changed their method of making cheese to improve quality and reduce power consumption.
3. The company is now offering chocolate flavored milk.
4. A new low-fat sour cream product has been added.
5. A new "Homemade" cheese has been added to the product line.
6. A new computer system for monitoring their production system has been added.
7. They have opened their own retail store where they are trying new advertising and marketing methods learned in the U.S.

Borovskoy Milk Plant; Oleksiy Pavlov, Head Accountant reported on significant changes at their company.

1. Borovskoy believes the benefits of the tour included finding ways for small independent

- companies to survive under the noses of larger better financed companies.
2. Mr. Pavlov convinced Borovskoy management to adopt a company logo to distinguish itself in the market. Since Borovskoy is in the forest region of the Oblast, it adopted the fox as its logo.
 3. Starting in November 1998, all Borovskoy products display the fox on the face of the package. It has helped Borovskoy establish its name and quality reputation in Kharkiv. The fox has caught on as a logo with Kharkiv shoppers and Borovskoy would like to leverage that into additional sales throughout the Oblast.
 4. As the economy improves, Mr. Pavlov sees Borovskoy moving into condensed milk and possibly expanding its markets into nearby villages.

Kharkiv Edible Oil Plant; Tetyana Volovyk, Chief Technologist has had a significant impact on her firm.

1. Tatyana has held numerous employee meetings within the plant to describe improvements that can be implemented based on her observations as a participant in the MTM Study Tour. Due to the slow economy, improvements which require capital have been put on hold.
2. One of the key benefits of the tour for Kharkiv Edible Oil was the winterization process using ammonia observed at AC Humko in Columbus, Ohio. Kharkiv Oil is working on developing a similar process. They would appreciate some additional information on the process if it can be obtained from Humko. The new winterization process could reduce costs considerably at Kharkiv Oil.
3. Based on observations from the MTM Tour, Kharkiv Oil believes they need to change their packaging and advertising. American products are much more distinctive and consumer friendly than Ukrainian products. Building a "brand" image is easier in the U.S. because of this. Kharkiv Oil is currently working with the Kharkiv company Fasma to develop new packaging and advertising to promote its products in more markets. New packaging and advertising plans are expected to be completed by the end of May.
4. Tetyana observed that businesses in Ukraine needed to understand better their political situation. They need to participate in legislation to improve their ability to get what they need to be competitive.
5. The most important part of the tour for Tetyana was the division of labor in the United States and the attitudes of the workers. In the U.S. workers are used to giving instead of taking. They require little supervision and thus fewer middle managers are required to oversee each task. The employees are flexible and work where needed, not like Ukraine where old stereotypes still exist and the workforce is less flexible.

Kharkiv Milk Plant; Anatoliy Bazyura, Chief Maintenance reported that:

1. Kharkiv Milk plans to introduce new products but needs to purchase new equipment. to do it. This they will do just as soon they pay off some of their existing loans.
2. They want to introduce new packaging and are studying the impact on prices and retail sales.

Komarovka Milk Processing Plant; Viktor Sergiyenko, Director discussed their ambitious plans and activities.

1. Komarovka has two main initiatives for 1999 which are a direct result of participation in the MTM Study Tour. First is the consolidation of its production facilities. Komarovka

has a small meat processing operation on the opposite side of Kharkiv which is being consolidated with the main plant. It currently produces canned meat in tin cans for export to Russia and for filling government orders (Army, etc.).

2. The second initiative is an expansion of the dairy product lines into the manufacturing of margarines. Mr. Sergiyenko believes they can procure a stable supply of raw materials to produce their own line of margarine at prices that are competitive with other major suppliers. This strategy will require new equipment and some up-front capital to establish contracts for supplies. Financing will come from private sources as current bank rates make borrowing nearly impossible.
3. Komarovka currently markets its own line of soft drinks in plastic bottles. Its markets are the Donetsk oblast and Crimea resorts. Komarovka will begin to market its soft drinks in the Kharkiv region to see if it can get acceptance.
4. The meat operation currently purchases tin cans from Kupiansk Milk Plant. As part of the agreement, Komarovka is prohibited from producing condensed milk. Komarovka is currently seeking another source of tin cans closer to its plant so that it can expand into condensed milk. This move will require very little capital investment and would be a natural horizontal extension of the company's product line.

Krasnogradski Butter & Cheese Plant; Rayisa Manko, Production Department Head reported on the activities of her plant.

1. Cheese production is the focus of all the processing at Krasnogradski. Since October 1998 (the date of the MTM Tour) the company has shifted its production from its traditional cheese to fat free and low fat products. From their American counterparts they had learned they could get higher yields at lower costs by shifting to low fat products.
2. The aging process for the new cheese is one month compared to two months from its traditional product line. Krasnogradski has not had a problem selling its new low fat cheeses. It has helped the company meet its debts and remain in operation during these very difficult times.
3. In addition to the new low fat/no fat cheese, Krasnogradski has been able to introduce, on a limited basis, a line of cottage cheese. Again, acceptance has been good and the outlook is favorable if the supply of raw materials can be sustained or improved.
4. In the United States, dairies pay a premium to suppliers in order to maintain a supply of raw materials year round. Krasnogradski is experimenting with something similar. They are currently paying their suppliers a premium to ensure a constant source of supply. Paying above market price has helped stabilize the supply, although it is far less than what is needed to meet demand.

Kupiansk Milk Plant; Svitlana Medvedyeva, Vice President Finance reported that the following took place as a result of the study tour.

1. Upon return from the United States MTM Study Tour Kupiansk struck a deal with an ADM soy supplier in Donetsk oblast for a supply of soy. The contact was made as a result of meeting with ADM executives in Illinois. As a result, Kupiansk is now making a soy based condensed milk.
2. Additional MTM Study Tour benefits include the introduction of chocolate condensed milk and the implementation of computerized tracking of costs throughout the plant (as observed at SIG Combibloc).
3. A new idea brought home from America was to sell whey in one kilogram packages to

housewives for baking. This product has been well received and Kupiansk plans to expand it further as capital allows.

4. The company has some additional whey products in the approval process with Oblast officials.
5. Kupiansk will begin the production of ice cream this summer. It is believed that there will be sufficient supply of raw material at that time to make the venture pay for itself.

Rogan Meat Processing Plant; Svitlana Ulitska, Deputy Head of the Board reported:

1. Rogan is changing their cooling system to overhead cooling similar to what was observed in American plants. They have done the work themselves and have three chambers already converted. In February the equipment will be tested and in March or April they will use their own cooling system. The savings of \$97,000 US will come from a reduction of cooling currently purchased from Kharkiv Milk.
2. Svitlana has given seminars for 400-500 people about the study tour program.
3. Rogan has added a second person in Marketing after Svitlana returned to Kharkiv, and special emphasis has been placed on getting the proper training.
4. As part of consumer research (learned in the United States), specialists from the plant go to the Rogan kiosks (Rogan has 24 kiosks) to talk to consumers. They are getting very high praise for their quality, but again, price is a major issue.

Solbozhanski Agricultural Farm; Yuriy Tovstopyat, Head Economist.

After viewing American management to employee ratios, Mr. Tovstopyat improved productivity by transferring two employees to another area of the farm. Neither production nor quality has suffered as a result of the moves.

Ukrainian Edible Oil Institute; Tetyana Avdeyenko discussed the activities at her Institute following her return.

1. Tetyana held employee meetings when she returned from the United States to review the advantages American companies have in competitive markets. One of the biggest advantages was their ability to establish their brand name and target their customers with specific marketing plans.
2. To assist their member organizations, the Institute purchased American marketing software. The software helps businesses develop annual marketing plans. The staff is working on translations and sample marketing plans for training their member organizations.
3. CEI delivered a sample copy of the Bob Evans Farms 1998-1999 Market Plan. This plan is being translated and will be used as an example of a well defined and successful Market Plan.

Velikoburluskii Cheese Plant; Anatoliy Kovalyov, Chairman of the Board has had great and significant benefits from the study tour.

1. Velikoburluskii is planning two new hard cheeses and one or two new soft (processed) cheeses in May 1999 depending on the supply of raw materials.
2. Velikoburluskii has ordered vacuum packaging equipment through a Kiev distributor for introducing small consumer packages. At present all cheese is packaged in 7 kg. wheels.
3. The 1999 plan calls for sliced and wrapped products much the same as retail stores in the U.S. market to consumers. Anatoliy Kovalyov observed in the U.S. retail stores that

whole cheese sold for approximately \$8.00 per pound but when it was sliced and packaged it sold for \$10.00 to \$15.00 per pound. Velikoburluskii will try to duplicate the American pricing strategy as they introduce the smaller vacuum packaged consumer products. If successful, this could increase revenues by as much as 50% with only a marginal increase in expenses.

4. A second use of the new equipment will be to replace the paraffin overwrap on the 7 kg. wheels with a vacuum package. This will reduce the drying and aging time by 3-5%. It also helps to reduce the product loss from poor paraffin seals. The net result of the reduced aging and product loss is the potential to increase the throughput by another 50-60 tons of cheese per month. While this will be impacted by the availability of raw materials, Velikoburluskii should certainly see some gain in 1999 revenues as a direct result of the use of vacuum packaging. The savings from eliminating paraffin are approximately \$32,000 annually.
5. Anatoliy Kovalyov made labor improvements at Velikoburluskii after he returned from the US. A total of 50 positions were eliminated generating a savings of approximately \$185,000 in 1998. Based on observations of US management practices, Mr. Kovalyov made each department head responsible for their section. This includes productivity improvements and internally generated savings. Elimination of waste was the first area tackled by the department heads, and Velikoburluskii now boasts of very little waste in the production process.
6. Due to improved labor organization and increased productivity, the company had been able to increase production, and therefore sales, by 20%. Other changes will help reduce costs by an additional 10%.
7. The company is planning to add a new computer systems that will tie together the current systems and this will allow them to improve efficiency.

Background Information

Terminology

Several terms were used and discussed by most participants.

1. Technology: This seems to apply to all levels of information, equipment, recipes, formulas, etc. It never applied to computers or communications.
2. Joint Venture: This appeared to apply to all forms of cooperation with foreigners including: direct investment, production agreements, sales arrangements, outsourcing, etc.
3. Administration: This is the government of the Oblast, located in the City of Kharkiv. The Kharkiv City Council reports to the Oblast Administration. The Administration appears to have a direct impact on most business activities and is interested in controlling the companies. For example, the Oblast approves products a company can produce and market. Sometimes this interest is as a result of owning shares in the company. Some companies said they could not develop their plans for 1999 since the Oblast had not yet published their plans.

All firms appear to pursue plans for vertical integration. Businessmen are convinced this is necessary for survival. The problem seems to be as much with taxes as anything else. As a result, the businessmen do not specialize to drive down their costs. For example, small sunflower processing and grain milling operations are common. Since taxes are about 130% of profits there is little incentive for increased profits so long as the firm can survive.

Newbiznet

Newbiznet reported that relations between the USA and Ukraine are not good as a result of the lost jobs due to the cancellation of the Ukrainian control systems for the nuclear power stations going to Iran. Therefore, USAID decided to undertake the Kharkiv Initiative. The Ukrainian government delegated the overview of the program activities to the Kharkiv Oblast Administration. The Oblast appointed consultant Edward Simpson as advisor who works with Andy Bihun in the US Embassy. All projects were stopped by Edward Simpson.

Alexander Dudka has met with the Oblast Administration and they will make available, at no charge to CEI, a hall for a seminar. It is important that CEI do a good job and make a good impression. One friendly reporter from the mass media will be invited. The media has generally been negative towards US programs.

Mr. Kolot remains in charge of the Oblast Department of Economic Development and is doing a good job. In the City of Kharkiv, Yevgen Nazarov, Deputy Mayor is now very important and Mr. Anatoliy Dulenko, CEI's former contact person on the City Council, handles only investment projects. Mr. Dulenko was formerly CEI's contact person.

In August 1998 there was an economic crisis in Russia and Ukraine. In Ukraine, 52% of the companies are closing and the average wage has dropped from \$120/month to \$40/month. Inflation is about 5% per month and interest rates about 80% per year. Presidential elections are coming up this fall and the government has started printing money. Inflation and interest rates can only rise! People are now slightly less optimistic about the future than before the current economic crisis.

CEI needed to pay Newbiznet the balance due for conducting the selection seminar and this was done. In addition, it was necessary to pay for printing the technical manuals. Some of the cash had been hand carried and the balance was obtained at Kharkiv banks through Visa transfers. There was a small charge for this service, but it is certainly more satisfactory than carrying large amounts of cash to Ukraine.

Newbiznet now has offices in the following Ukrainian cities: Lviv, Rivne, Odessa, Mykolaiv, Kerson, Zaporizhia, Donetsk, Kharkiv, Kiev and in Chi sinau, Moldova

Technical Manuals

The two Technical Manuals had been completed by Newbiznet. CEI decided to print 10 sets of color manuals and 190 sets of black and white. Newbiznet eventually decided to print the manuals in-house. Color copies were given to the Oblast (2 sets), Tim Dubel (USAID), Leland Cole, James Silberman. A distribution list for manuals was left with Newbiznet and they will send out letters and copies.

Energy

Energy is a major concern to all Ukrainian companies since its cost is so high. Many companies have invested in more energy efficient equipment or had taken other steps to reduce energy costs. One of the energy savings measures was to avoid heating office areas. As a result, many meetings and meals were held in rather cold surroundings.

Raw Materials

Throughout the following discussion there is much reference to the availability of raw materials.

Sugar: For all sugar companies, 1998 was a very bad year due mainly to the dry weather. The harvest was very low and Ukraine did not even produce enough sugar beet to meet its internal needs. Thus the plants could sell all the sugar they could produce. Most sugar companies do not pay the farmers directly for the sugar beet. Rather, they process the beet and retain a percent, usually 40%, for their service. As a result, the sugar plant ends up competing with its suppliers. Moreover, sugar prices from the farmers are not regulated, but prices from the plant are. This enables the farmers to undersell the plant and makes it important for the plant to differentiate its products.

Milk: Most dairies are having difficulty getting enough raw milk. Part of the problem is that they are often short of cash to purchase milk. Moreover, when they do pay the farmer, the cash goes into the farmer's bank account. Since most farmers are in debt to the bank or government, the money is withdrawn from the account to pay those debts and the farmer does not see the cash. A third reason for the low milk supply is that cows on collective farms produce only 10% of the milk privately owned cows produce. This is mainly due to the lack of incentive for the farmer to produce more milk.

The Kharkiv Oblast currently gets 800 tons of raw milk per day. More than 4,000 tons of raw milk are needed daily to meet the capacity of the oblast dairy plants. It is possible that some rationalization is called for. If cash were paid for the raw materials, supply would probably increase by 40% or roughly another 320 tons per day.

Meat: Some companies report a shortage of meat while others do not. Part of the problem is due to a shortage of animals since the herds have been depleted to raise cash. The major problem appears to be lack of cash to purchase the meat. There are more than 140 illegal meat processing plants in Kharkiv alone which reportedly pay cash. The legal companies cannot afford to pay cash and thus the illegal ones buy up the meat supply. The local authorities are well aware of these illegal firms but are reluctant to close them down. There also may be some problem concerning the cost of meat due to VAT. CEI was not able to confirm or understand this.

Fruits, Vegetables, Other: Farmers are short of cash with which to purchase fertilizers. Therefore, their yields suffer.

Edible Oils - Sunflower seed oil: Ukraine currently produces, according to the Edible Oil Institute, 1.5 million tons of sunflower seeds. In 1998 they exported one million tons and are processing the remaining amount in Ukrainian plants. Weather permitting, Ukraine could produce nearly 2.5 million tons of sunflower seeds in 1999. Production requirements at oil producing plants in Ukraine could use all of that amount.

Update on Economic Conditions at the Plants

1st Sugar Plant Named after Petrovskiy. Last year the company worked only 40 days but it needs to work 100 days to be profitable. In 1995 the company produced 32,000 tons but in 1998 produced only 14,000.

The company helped the farmers by supplying two harvesting machines. However, the farmers produced less beet due to the hot and dry weather, a lack of fertilizers, and a desire to grow grain rather than sugar beet.

Due to the poor harvest, a neighboring sugar company did not work at all in 1998. Ukraine has too many sugar plants and these need to be rationalized. Nevertheless, all the sugar companies are preparing for 1999 when they hope the harvest will improve.

The company is located in a small town and is the only employer for the local population. It also produces molasses, whiting for white washes, and operates a small bakery and sunflower seed processing unit.

Barvenkovskiy Food Plant. The company has not installed new technology but there were many small things they liked. Production is down due to the economic crisis and the firm must reduce employment by 40%.

The company has a bakery which produces 2,000 items/day. A separate operation is a sunflower seed processing facility that is quite old. Macaroni is produced on two slow machines in another facility. There is a bottling line for fruit juices which was idle when we visited in January. The company bottled some water from a local well. Although there is a good profit margin in bottled water, the firm is having trouble finding cash to purchase empty 2 liter plastic bottles. They expect to restart this operation in April and market the product in Kharkiv.

Two weeks after they returned from the study tour, they held a press conference and seminar for about 30 people in the area, including local Rayon officials. They showed their video and other materials collected.

A lack of cash and methods of financing is a major problem for the company. Interest rates are 80% per year. As a result, they are looking for investors. Although CEI is not in a position to find investors, it offered to review an English language version of their business plan.

Fasma. Mr. Gonskiy still cannot believe how useful and valuable the study tour was. It opened his eyes to many new possibilities and a new understanding of the workings of a market economy. What they saw in the US proved that he was correct in pushing for volume production.

Interfruit. Interfruit was not interviewed because they are in a difficult financial position as a result of the financial crisis in Russia. Alina Zhylyna is no longer with the company.

Kolos Farm. Due to pressing business problems, Oleksandr Strogiiy, Owner, had to return to Ukraine early and participated in only one week of the study tour. However, there were some things of interest to him although the technology was generally the same.

Kolos Farm is now renting land from the peasants and will soon be farming 3,500 hectares (8,648 acres). He felt that the farmers were probably not producing enough, but the main problem was inefficient processing plants.

As with most companies, they feel they must not specialize in order to spread their risk. The company grows grain and has one bakery. They are now looking for a small mill to grind grain. This will have a two-year payback. They grow sunflower and want to install a small oil processing plant. They have a large number of hogs and are considering a meat processing operation.

Taxes are a major concern and there are 25 different taxes to pay. Since the tax burden is so great, the government has decided not to collect VAT for five years. This will allow the farmers to accumulate cash for expansion. There is also a two-year land tax holiday. Last year the company paid 78,000 Hr (\$22,000) in VAT.

Kolos Farm operates six small retail stores and one cafe. They employ 120.

The bakery employs 16 plus two drivers. They operate 3 shifts/day and make 1,500-2,000 loaves/day in Turkish ovens. They sell to small shops in the area and can adjust to the needs of the local customers.

We toured the farm area where equipment was being repaired. Spare parts can easily be obtained in five days if you have cash. In one of the farm buildings we were surprised to find a very large, new, bright red Massey Ferguson tractor and combine. There was also similar equipment from Germany. This apparently had been obtained from a large government program to help the farmers and Kolos Farm was the only private farm to participate.

Kongressovski Sugar Plant. This plant is located northwest of Kharkiv near the Russian border. We talked with the plant director and he was very pleased with the study tour program. The plant shares the factory with the local collective farm with whom they work closely and they are the only employers in the village. There is a Russian sugar plant nearby with which they have a good working relationship.

The harvest last year was very poor due to the drought and a lack of fertilizers. Despite the fact that they had orders for 4-5 months of production, the plant operated just 28 days. As a result, it operated at a loss of 351,000 Hr (\$99,000) and produced only 4,533 tons of sugar. In 1998, the Ukrainian sugar industry operated at 1995 levels.

The plant processes sugar for farmers in the area. It does not pay cash for the sugar beet, but returns 60% of the sugar to the farmers and keeps 40%. Therefore, the plant ends up competing with the farmers.

The plant operates at a high processing level and is retrieving 83% of the potentially available sugar in the beets. When the plant is not in the working season, they employ 30-40. In February, the plant closes except for security and management.

Serguei Pogribnyak returned to Ukraine with many new ideas, and presented the ideas to the local management. However, due to the economic crisis, the company has little cash for expansion.

Nadiya Agricultural Farm. The company is a large processor of fruits, vegetables and fruit juices. A variety of these were sampled in the laboratory. These included berries of various kinds and juices, including pumpkin. The tastes were generally unfamiliar to an American pallet. In addition, the company has a large vodka production operation.

The company is interested in marketing its products to the US. It realizes that it will have to change the packaging from pry top lids to screw top lids and this it is planning to do. CEI felt that taste tests of the products should be conducted before more marketing activities were carried

out. Four samples were brought back to the US for sampling.

The company is interested in grain mills and in the production of hard cheese. There is as much as 50 tons of milk per day available in the area. There is also a largely untapped market for diet foods, including drinks. The firm wants to go into food for children aged 3-15 and asked CEI to help find technologies, videos, and trends. There is also a market for rice with meat and rice with fish. They plan to add new lines for soft drinks and bottled water. CEI was asked if there is a line analogous to Tetrapak. If there is, there is interest in a line for mixed products such as milk, juices, etc. They need to process 3,800 tons/hour.

After meeting with the company, we met with the local Rayon officials where there were many questions about the study program. They felt the only products that were profitable in the area were grain, sunflower seeds and bottled water.

Novoivanovskiy Sugar Plant. The plant has had a difficult year and new directors will be in place in March. They want to extend the working year by 4-5 months. Therefore more value added products will be added.

Pervkhinskiy Sugar Plant. Upon his return to Ukraine, Mr. Rud had trouble adjusting. He had too many new ideas and things to do. In fact, he had difficulties with his management over this point. One of the benefits of the U.S. tour was that Mr. Rud came to realize that U.S. managers were allowed to make decisions for themselves.

The economic crisis in Russia has also affected Ukraine. The energy prices are much higher, but unfortunately the price of sugar has held constant - squeezing profits. For example, they have had to barter sugar for electricity. Last year they worked 33 days and produced 67 tons of sugar. This is one third of their past production levels. The breakeven point for the plant is 62-63 days.

Rosinka. CEI offered to provide Rosinka with a U.S. contact at Tyson Foods.

Savinskiy Sugar Plant. We visited the facilities and were shown three sugar processing machines, the laboratory, and sections of the processing plant. The operation of the plant, including the receipt and shipment of products by rail, was explained in detail.

Viktor Loza remarked that he liked the American financial systems and the Ohio State Fair.

Taifun. The Directors were very impressed with America in general and specifically with the fast food business where they made particular note of Denny's. Although they looked in the US for a better way to produce thin pancakes, they were not able to find one. In fact, CEI believes there may be a market for Ukrainian pancakes in the US. Taifun felt that new technology was difficult to transfer since the business environment is so different.

Suggestions for future programs:

1. They would like to have an intern program for 5-6 people from one firm (CEI comment: this would be extremely difficult and expensive to implement). Mr. Zaytsev noted that this was done in the Marshall Plan days, but not to the knowledge of James Silberman.
2. There should be a follow-up program.

Zmievskoy Milk Plant. The supply of raw materials is very low. Farmers' yields get lower and lower every year. Milk is bought for cash but most plants don't have the cash to buy. The collective farms have large debts and only the private companies have cash for purchases.

1st Kharkiv Milk Plant. 1st Kharkiv Milk has run into some very difficult problems since Victoriya returned to Ukraine. Due to the economic crisis, the plant is now working just 1-2 days per week. The problem is a lack of raw milk since there are fewer cows and the company is short of cash. The plant has a capacity of 300 tons per day and it is receiving only 5 tons per day. As a result, production is only scheduled for one day per week. Most dairies have specific districts committed to them for raw milk, but 1st Kharkiv Milk does not have such a commitment and must therefore compete every week for its supplies.

The second, and equally as troublesome problem is a lack of working capital. With reduced production it is difficult to determine when there will be sufficient working capital to purchase additional supplies.

Barvenkovskiy Milk Plant. The dairy is temporarily closed for remodeling. The Director has been able to pay down part of the company debts and is trying to survive. Their milk is being processed by another dairy.

Upon his return from the study tour the Director consolidated his notes and plans to put the ideas into operation as soon as the plant is operational.

The Plant has decided to go into the production of sunflower oil and has built a small processing plant. Next season they will be in competition with their neighbor, Barvenkovskiy Food Plant. In order to obtain seeds, they plan to rent land on which to grow sunflower.

Borovskoy Milk Plant. Borovskoy is a small dairy located in a somewhat remote area of the Oblast. There is a large, more modern plant nearby which is completely idle.

Of all the companies visited, Borovskoy probably has the most aggressive plans to expand their local markets. They seem to have a more entrepreneurial spirit towards expansion using techniques learned on the tour. Strategy planning for such a roll-out has already begun assuming the economy will begin to recover before the end of the year. Time will tell if that prediction will hold up.

Chuguev Milk Plant. Upon his return to Ukraine, Mr. Dokuchayev found that the company had new ownership and that all Directors were replaced. The new Directors were not interested in learning the information that had been obtained by Mr. Dokuchayev.

Kharkiv Edible Oil Plant. The visit began with a meeting with Alexander Vasilenko, Chairman of the Board for Kharkiv Edible Oils. Mr. Vasilenko was very supportive of applying US techniques in management and marketing at Kharkiv Edible Oils. Tetyana was promoted to Chief Technologist upon her return from the United States.

Mr. Vasilenko summarized the desires of Kharkiv Edible Oils to find a joint venture partner with a

company in the United States. He is interested in discussing any form of investment with an American company including: franchising, distribution, or private label packaging. While Mr. Vasilenko was interested in promoting Kharkiv Oil mayonnaise, it was explained that the short shelf life (Ukraine does not use preservatives) would be a detriment in trying to develop an American market for their products. A better fit might be Kharkiv Oil's dessert margarines which could easily command a premium in US health conscious gourmet markets.

Kharkiv Meat Processing Plant. This plant was forced into bankruptcy shortly after Olena returned from the United States. She was unable to make any suggestions to improve operations based on what she observed in the U.S. meat processing plants. She is hopeful that new investors will be found and that the plant will reopen.

According to Ms. Oliynyk, the company finances were insufficient and borrowed funds were not used wisely. There are more than 500 meat cooperatives in Kharkiv so raw material was not a factor in the bankruptcy proceedings.

Kharkiv Milk Plant. Kharkiv Milk needs time and financing. As a result of the economy they have lost production and specialists. Since returning to Kharkiv, Mr. Bazyura reports that Kharkiv Milk has laid-off 150 employees and now has 350 to 370.

Komarovka Milk Processing Plant. Komarovka currently has 88 employees. The dairy receives 10-17 tons of raw milk per day. Depending upon the daily delivery, anywhere from five to fifteen employees are used to complete the days processing. Production for the soft drinks and meat plant are separate from the dairy.

In addition to the dairy, Komarovka has 4 retail stores, 1 café, and 2 kiosks to sell its products.

Mr. Sergiyenko observed that manufacturing personnel work 2-3 times harder in U.S. than in Ukraine. During the time spent in the U.S. some companies went bankrupt. Many other companies are on the verge of bankruptcy. Dairies should work quickly to fill the void so they can ensure supplies.

Krasnogradski Butter & Cheese Plant. Krasnogradski has been limited by the same problems which impact the rest of the Oblast - namely a lack of raw materials and a very soft economy. The plant currently receives 4 tons of raw material per day or roughly 1/10th of what is needed to meet the demand for its products. As a result most of the plant remains idle. They have 100 employees.

Kupiansk Meat Plant. The Kupiansk Meat Processing Plant was closed when Vitaliy Kozyryev returned from the study tour and therefore there is no report for this company.

Kupiansk Milk Plant. When Mrs. Medvedyeva returned to Ukraine, Kupiansk had a lot of debt that it owed its collective farm. These debts were paid off allowing Kupiansk to buy raw materials from non-collective farms. The quality of the milk supply has improved, and Kupiansk has initiated market-based pricing (similar to that used in the US) to ensure a continuous supply.

Kupiansk receives 30 tons of raw milk per day which is roughly ½ of their minimum needs. As a

result, the milk is stored until they have sufficient quantity to begin production - usually every other day.

Late in 1997, Kupiansk purchased Swedish equipment for packaging long shelf-life milk (Tetra Pack). The loan for that equipment must be repaid in 1999. Repayment will mean delaying some of the MTM Study Tour benefits until 2000 - such as the introduction of a full line of yogurt.

Rogan Meat Processing Plant. Rogan is currently working with the Baron's Group on the USAID-funded program for Enterprise Restructuring in Ukraine. Marketing, which will be included in the restructure – it is one of their major weaknesses.

Rogan's main competitors are located in the Sumy and Poltava Oblasts. Their pricing is similar and Rogan can compete if they establish a brand name.

Accounts Receivable is a problem. Nonpayment has increased steadily in the 2nd half of 1998 as the economy has gotten worse. Rogan needs the cash to buy raw materials and pay its expenses.

About 30% of the company's sausage is now smoked. They are able to make 5 tons of hot dogs per day, but currently produce only one ton. They purchase additives and flavorings from a Czech firm.

Rogan is trying to decide how to compete with the 140 small unauthorized meat producers in the Kharkiv area. These firms do not pay taxes and keep prices low. Recently the Oblast agreed that stricter standards should be enforced on these illegal firms.

Demand for meat products is declining, probably due to the economic situation. Raw materials continue to be a problem since the poor farmers have slaughtered much of their cattle. The illegal firms are able to pay cash for the raw materials and thus there is less for the legal firms.

Solbozhanski Agricultural Farm. Solbozhanski has made few improvements since returning to Ukraine. The MTM Tour was unable to schedule a tour of an American farm.

The economy is much worse now than when Mr. Tovstopyat left for America. With less cash available to purchase hogs and the number of meat processing company failures, Solbozhanski has had to look in other oblasts for potential customers. Some piglets are being sold to Russia in an effort to expand business. Since Solbozhanski is close to the Russian border, Russian buyers send trucks to the farm twice per month to pick up piglets.

The farm was started in 1929. It opened its main office building in 1932. The village, consisting mostly of farm workers, began in 1973. A large celebration is scheduled this summer to commemorate the 70th anniversary of Solbozhanski Agricultural Farm. At present, the farm has 8,000 hogs at the breeder farm (headquarters location) and more than 100,000 hogs at the main farm. Each hog is kept in an individual stall. Watering, feeding, and cleaning of the hogs is automated (some methods and equipment are outdated but still in very good working condition).

Sanitation at both farm locations is excellent. Employees are required to shower and dress in clean sanitized clothing each day. The farm provides the shower, dressing rooms, and clean

uniforms and shoes. The stalls are hosed down automatically throughout the day to wash away excrement and other material which may infect the hogs - a sanitizer used to be applied in the water but was discontinued several years ago to reduce costs. Walkways between and within buildings are cleaned three times a day.

Solbozhanski has three types of hogs, Large White, Landros, and Urock. Each produces different yields, and is sold into a different market.

From infancy, the hogs are fed for approximately 200 days or until they reach 112 kg (246 lbs.). To feed all the hogs at Solbozhanski Farm some 150 tons of feed is used per day. An adjoining feed processing plant, owned by another cooperative, supplies the feed. During the off-season, feed arrives by rail and is transported to Solbozhanski by means of elevators and conveyor belts.

Solbozhanski operates a small meat processing plant near the main farm. It produces canned meat, smoked meat, smoked piglets, and its own sausage. Prior to October 1998, nine people worked in the plant.

Ukrainian Edible Oil Institute. The Institute is State funded but is expected to earn most of their operating budget themselves by charging their members for services. It has 120 employees serving 25 member companies. The smallest member has the capability of processing 200 tons per day and the largest can process 1,200 tons daily. The 1999 operating budget of the Kharkiv facility is approximately \$300,000. The member companies look to the Institute to develop business plans, feasibility studies, research and other forms of support to keep them competitive with European and Russian producers.

Ukrainian Edible Oil Institute is currently working on restructuring Ukrainian edible oil plant refining processes to meet European standards.

The Institute is currently seeking funding (\$25-60 million) to build a new sunflower seed processing plant in Kharkiv. Cargill, a US company is building a new plant in Donetsk capable of producing 300,000 tons of sunflower oil annually. Last year, the Institute helped design a new plant also capable of producing 300,000 tons of oil per year for a partnership between Olena and Citreon (European funding). The proposed Kharkiv plant would employ state-of-the-art technology and be capable of producing 1,000,000 tons of finished product annually, similar to what Tetyana saw when she visited ADM.

A discussion of the current economic situation and the potential for a satisfactory return to investors left little hope that funding could be found. According to the estimates of the capacity of the new and proposed Kharkiv plant, the three plants combined could consume all of Ukraine's current supply of sunflower seeds and sixty-five percent of all potential supply. That would leave the 25 member companies of the Institute without sufficient quantities of raw materials and force them into seeking alternative seeds for processing such as soy.

Suggestions for future programs:

1. Visiting two companies per day is too many.
2. They would like to work longer with a specialist at each company
3. There were too many subsectors on the tour. The tour should be split if there were multiple

- subsectors.
4. Time could be saved with a set of standardized question (employment, sales, etc.) which might be answered ahead of time.
 5. They wanted to see suppliers such as farms.
 6. A loudspeaker system would be helpful in noisy surroundings.

Velikoburluskii Cheese Plant. Velikoburluskii produces whole milk, lactose, cheese, butter, kefir and sour cream. The company had 322 employees at its peak of production. It now employs only 70-80 depending on the availability of raw materials.

Upon returning to Kharkiv, Mr. Kovalyov concluded an agreement with a Belgian company to supply powdered fat-free cheese to the Belgian processing plant. Velikoburluskii will take their product, process it into a powder, and deliver it to the Belgians who will then reprocess the powder into finished goods from their own plant. The contract is for \$260,000 and the Belgians provide the equipment required by Velikoburluskii to meet the agreed upon amounts. Because cash is so crucial in Ukraine, the Belgians prepaid 52,000 DM in operating capital. This allowed Velikoburluskii to acquire the supply of raw material to meet its commitment.

Seminars

Tour Seminars

Seminars for tours 1 and 2 were held at the Newbiznet office on Saturday, January 30 and Sunday, January 31. The purpose of these seminars was to have the tour members share their post-tour experiences and to give CEI a chance to hear from the companies they had not been able to visit. The comments by the participants are incorporated in the company discussions.

The participants were given the following questionnaire by the Oblast Administration.

QUESTIONNAIRE:

To represent the results of the MTM Productivity Study Tour to the USA at the seminar held in the Regional State Administration on February 2, 1999

1. What technological processes learned in the United States do you plan to introduce at your plant?
2. What are the terms, costs and sources of financing for the planned introduction of the American technologies?
3. What will be the advantages of application of the American technologies at your plant?
4. How do you estimate the readiness of American companies to participate in creation of a joint venture with your company?
5. Are you interested in visiting the USA additionally to establish new contacts and receive additional information? What specific questions are you interested in? What is the necessary duration of the tour?
6. Are you ready to visit the USA for getting additional knowledge at the expense of your company?
7. What changes can be introduced into the MTM Productivity Study Tour in order to improve its efficiency?
8. Name of the company, main activities

Oblast Seminar

On Tuesday, February 2, a seminar was held at the Kharkiv Oblast Administration. The purpose of the seminar was to inform Oblast officials about the MTM Productivity Study Tour Program. Members of the Oblast Administration, Kharkiv City Council and press were invited as well as all the participants (most of whom were in attendance). The meeting lasted more than two hours. Alexander Dudka acted as moderator. Leland Cole gave an introductory talk covering the background of the program and the selection process. Six participants made presentation on the program from the perspective of their industry. There was a short question and answer period after each talk. At the conclusion of the meeting two Oblast officials gave short talks about the importance of the program and the need for the participants to disseminate the information to others in their industries. Technical Manuals were distributed to the Oblast officials and to the participants.

After the meeting, the reporter interviewed Leland Cole and a complimentary appeared in the Thursday edition of the Evening Kharkiv.